

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

NOTICE OF GREEN RIVER ELECTRIC)
CORPORATION TO INCREASE ITS) CASE NO. 9165
RATES FOR ELECTRIC SERVICE)

O R D E R

On November 16, 1984, Green River Electric Corporation ("Green River") filed an application to flow through any increase in rates granted its wholesale power supplier, Big Rivers Electric Corporation ("Big Rivers"), in Case No. 9163. Green River did not request the approval of any additional revenues or margins in its flow through application.

Green River is one of four member distribution cooperatives of Big Rivers. Based on the rates proposed by Big Rivers in Case No. 9163, Green River requested an increase of \$9,234,598. The proposed increase would result in an overall increase of approximately 7.7 percent to Green River consumers.

The matter was scheduled for hearing on March 27, 1985, at the Commission's offices in Frankfort, Kentucky. The hearing was conducted as scheduled and the Consumer Protection Division of the Attorney General's office and National-Southwire Aluminum Company participated as intervenors.

In the course of its investigations in this application, the Commission made inquiries into policies and procedures employed by Green River when procuring insurance coverage. The Commission's general finding on this issue is that Green River is not diligent enough in pursuing the lowest possible cost of insurance coverage since it does not purchase through a bidding procedure on a regular basis, and thus does not apply optimal purchasing practices in acquiring insurance.

Also, the Commission is of the opinion that Green River should investigate whether legal service could be provided on a more economical basis if there was some in-house legal staff, and advise the Commission in writing within 90 days from the date of this Order.

The Commission, after review of the evidence of record and being advised, is of the opinion and finds that:

1. The proposed increase by Big Rivers in Case No. 9163 was denied which will result in no increase in purchased power costs to Green River.

2. The issue of whether Green River should be allowed to flow through any increase in its wholesale purchased power cost allowed in Case No. 9163 is moot.

3. Green River should review and analyze its procedures for the procurement of insurance coverages and legal counsel to insure that it is receiving the maximum service necessary at the least possible cost. Moreover, the Commission will require Green River to submit a report detailing a plan to implement such procedures. In future rate cases, Green River should be prepared to document

its insurance and legal expenditures and demonstrate its efforts to secure the best coverage for the least premium.

IT IS THEREFORE ORDERED that the application by Green River to flow through any increase in wholesale purchased power costs be and it hereby is dismissed without prejudice.


IT IS FURTHER ORDERED that the rates currently being charged by Green River shall remain in effect.

IT IS FURTHER ORDERED that within 90 days from the date of this Order Green River shall submit a report detailing its plan to implement procedures to insure that it is receiving the maximum insurance and legal service necessary at the least possible cost.

Done at Frankfort, Kentucky, this 21st day of May, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary